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6 **UNITED STATES DISTRICT COURT**
7 **DISTRICT OF NEVADA**
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9 Neumont University, LLC,
10 Plaintiff
11 v.
12 Little Bizzy, LLC, et al.,
13 Defendants
14

Case No.: 2:12-cv-1395-JAD-PAL

**Order Granting in Part Plaintiff's
Motion for Default Judgment,
Permanent Injunction, and
Attorney's Fees and Costs [Doc. 45]**

15 Having secured a clerk's default against the Defendants after they failed to appear at a
16 Court-scheduled settlement conference and violated the Court's order directing Little
17 Bizzy—a fictitious entity—to retain licensed counsel, *see* Docs. 25, 29, 41, 42, 44, Plaintiff,
18 Neumont University, LLC, seeks a default judgment, permanent injunction, and attorney's
19 fees and costs against these defaulted defendants alleged to have interfered with Neumont's
20 professional reputation and business relationships by posting false and disparaging reviews
21 of Neumont's educational product on the Collegetimes.com website. Doc. 45. On
22 November 4, 2013, the Court heard oral argument, conducted an uncontested evidentiary
23 hearing on the pending motions, and requested supplemental briefing on the propriety of
24 injunctive relief. *See* Doc. 59. The Court has considered that supplemental brief, the original
25 filings, and the evidence and argument offered at the prove-up hearing, enters a default
26 judgment against Little Bizzy for the tort damages Neumont proved at the evidentiary
27 hearing, but denies the request for attorney's fees and injunctive relief for the reasons below.
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Background

2 Neumont is a private, for-profit limited liability company incorporated in Delaware
3 with its principal place of business in South Jordan, Utah. *See* Doc. 1 at 2. Defendant Little
4 Bizzy operated Collegetimes.us, a website for “students to comment on their experiences at
5 various colleges and universities around the world.” *Id.* at 4. The Collegetimes website
6 contains a Neumont page allowing postings about the institution. *Id.* 17 postings appeared
7 on Neumont’s Collegetimes page between April 21, 2009, and August 15, 2011. Doc. 1-4 at
8 2-4. They criticize Neumont’s business objectives and the overall quality of its consumer
9 product. For example, content attributable to “Concerned Parent” suggests, “This is a
10 MORMON school or did HITLER come back and move[] to UTAH.” Doc. 1-4 at 2. A
11 poster named “Justin” purportedly states, “All I remember learning from Neumont’s
12 Computer Science program was learning how to Google. You can learn as much by
13 participating in an open source project for two years without the burden of 100K in student
14 debt.” *Id.* at 3. “No Longer a Fan” posts, “Speaking up for yourself . . . forget it. The
15 student will end up getting burned somewhere along the way.” *Id.* A posting attributable to
16 “Graduate” provides, “I went to this hell hole of a school. They say they are accredited but
17 they really aren’t. I was planning on going for my master’s in another field and half way
18 through the program I found out that 80% of other schools in the US won’t take their degree.
19 . . . The administration don’t give a shit about any of the student[s] they just want the most
20 money they can get.” *Id.* Poster “HIV Positive” is credited with stating, “This school can be
21 summed up in 3 words ‘PIECE OF SHIT,’” and “Unknown” purportedly states, “Listen to
22 what everyone is saying if you want to go to this school don’t! You will be in debt and not
23 able to transfer your credits.” *Id.* at 4.

24 Responsive comments by other posters suggests the postings had an impact on the
25 marketplace. For example, “Thinking” said, “I have been thinking about going to this school
26 for a long time. I thought it was a good school after reading the website, but now I’m having
27 second thoughts.” *Id.* at 4. Similarly, someone identified as “Eleanor Miller” stated, “My
28 grandson is considering NU. After reading these reviews—it does not sound so good.

1 Especially the part where other schools won't accept the credits earned at NU." *Id.* Indeed,
 2 Neumont's page on Collegetimes is completely devoid of any positive comments about the
 3 school.

4 When Neumont officials attempted to add their own content to the "comments" on
 5 Neumont's page, Collegetimes added a banner that stated, "Warning: We recommend that
 6 you avoid this college." Doc. 1 at 4. Neumont officials demanded that Collegetimes remove
 7 negative postings but the request was refused. Neumont sued Collegetimes's owner, Little
 8 Bizzy, LLC, and its principal, Jesse Nickles, asserting claims for (1) business disparagement,
 9 (2) intentional interference with contractual relationships, and (3) intentional interference
 10 with prospective economic advantage under Nevada state law. *See id.* at 8-12. Neumont
 11 prayed for compensatory and special damages; punitive damages; interest, costs and
 12 attorney's fees incurred in prosecuting the action; and a permanent injunction "prohibiting
 13 Defendants and their agents, servants, employees, licensees, sponsors, associates, and
 14 affiliates, and each of them, from continuing to publish or disseminate false, defamatory
 15 and/or derogatory content aimed at harming Neumont and/or its educational services, faculty,
 16 administration, students, or staff by way of the Collegetimes website or any other
 17 publication." Doc. 1 at 11.¹

18 Little Bizzy—acting through its non-lawyer principal, Nickles, moved to dismiss the
 19 complaint. Doc. 17. Defendants were advised that Little Bizzy, a fictitious entity, must be
 20 represented by counsel, and both Little Bizzy and Nickles were ordered to appear for a
 21 settlement conference. They ignored all of these orders; Little Bizzy's motion to dismiss was
 22 stricken; and clerk's defaults against them were entered. *See Docs. 41, 42, 44.* Neumont
 23 then moved for a default judgment, permanent injunction, and an award of fees and costs
 24 against both Nickles and Little Bizzy. Docs. 45, 58.

25 On November 4, 2013, the Court conducted an evidentiary hearing on the pending
 26 motion. Doc. 59 (minutes). As the Defendants had been defaulted, only Neumont was
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28 ¹ Neumont also sought a temporary restraining order and a preliminary injunction against Defendants
 subject to the same restrictions. Docs. 7, 8. Both motions were denied. Docs. 13, 41.

1 present at the hearing. Neumont offered the testimony of Stacy C. Hughes, a Neumont
2 administrative official, who testified that other Neumont clients had attempted to post
3 positive comments on the Collegetimes website but those posts had been deleted, and that
4 Neumont administrators were no longer able to access the discussion page to post their own
5 content. Hughes testified that the negative reviews had become one of the regular reasons
6 why students were not enrolling at Neumont; she also offered lost-customer revenue
7 evidence for 2010 through 2014 and detailed Neumont’s need to pay outside consultants to
8 manipulate Google search results to “push down” the Collegetimes page.

9 Hughes also introduced several tweets generated by a “Collegetimes” account from
10 May through October 2013, that were directed towards Neumont. One posting stated,
11 “#Neumont student reveals that administrators host ‘pizza parties’ to coax students to leave
12 positive reviews online answers.yahoo.com.” Doc. 58-5 at 2. Evidence was also presented
13 that the Collegetimes twitter account posted an article entitled, “Neumont University
14 Slanders Jesse Nickles, Little Bizzy.” Doc. 58-4 at 2. Hughes testified that the Twitter
15 postings contributed to several students declining to enroll at Neumont. Neumont calculated
16 \$1,020,000 in total lost revenue due to Collegetimes’ campaign of disparagement. Doc. 58-7
17 at 2.

Discussion

19 | A. Motion for Default Judgment - Nickles

20 Neumont has moved for a default judgment against both Little Bizzy and Nickles.
21 Upon further review of the record, however, it does not appear that Nickles was properly
22 served in this case. Therefore, this Court lacks personal jurisdiction over Nickles.

1. The Court lacks jurisdiction over Nickles.

24 A summons was issued for Nickles on August 7, 2012. Doc. 6. This summons was
25 returned unexecuted on August 28, 2012; the process server stated that he had attempted to
26 serve Nickles by hand-delivery on two separate occasions at his last known address in
27 California, but was told by Nickles's mother and sister that he no longer lived at the address.
28 Doc. 15. Eventually a clerk's default was entered against Nickles on Plaintiff's counsel's

1 representation that Nickles was served via email. *See* Doc. 43-1 at 3.

2 “[S]ervice of process is the means by which a court asserts jurisdiction over the
 3 person.”² When personal service is required, failure to perfect it is fatal to a lawsuit.³ Proper
 4 service on an individual within a United States jurisdiction under Fed. R. Civ. Proc. 4(e) is
 5 accomplished only by personally serving the individual, leaving a copy of the summons and
 6 complaint “at the individual’s dwelling or usual place of abode with someone of suitable age
 7 and discretion who resides there,” or delivering a copy to an agent authorized to accept
 8 service of process.⁴ Nickles could also be served either by the methods identified by the law
 9 of the state where the district court is located or the state where service is made, which in this
 10 case is either Nevada or possibly California. Doc. 1 at 2.⁵ Nev. R. Civ. Proc. 4(d)(6)
 11 requires personal service on individual defendants in the same manner as the federal rules.
 12 Email is not adequate service under the rules.⁶ In California, an individual may also be
 13 served personally, at a residence, or via authorized agent.⁷ California also permits service at
 14 an individual’s place of business or by mail.⁸

15 The Court finds no evidence that service on Nickles personally was perfected under
 16 federal, Nevada, or California law. The only evidence of a personal service attempt on
 17 Nickles reflects that Neumont’s “investigator” went to “1874 Shaw Court, Thousand Oaks,

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 19 ² *Securities and Exchange Commission v. Ross*, 504 F.3d 1130, 1138 (9th Cir. 2007) (citation omitted).

20 ³ *Daly-Murphy v. Winston*, 837 F.2d 348, 355 (9th Cir. 1987).

21 ⁴ *Id.*

22 ⁵ See Fed. R. Civ. Proc. 4(e)(1). The Court must assume *arguendo* that Nickles may reside in California,
 23 as according to the statements collected by Neumont’s investigator at the time he attempted to serve Nickles, it
 24 is not clear whether Nickles actually resides in California. *See* Doc. 15. Nickles’s current whereabouts are
 25 unknown, although one filing stated that “[T]he sole managing member of Little Bizzy, LLC, Jesse Nickles,
 continues to reside far outside the United States.” Doc. 36 at 1. To the degree that Nickles resides in a
 jurisdiction outside of the United States, this fact is not alleged in the Complaint and there is no evidence of any
 service attempt made pursuant to Fed. R. Civ. Proc. 4(f).

26 ⁶ *See Mayweather v. Wine Bistro, LLC*, 2013 WL 5537312, at *3 (D. Nev. Oct. 4, 2013) (noting that
 service via email and publication is not allowed under Nevada’s service rules).

27 ⁷ *See* Cal. Civ. Proc. Code 415.10-20.

28 ⁸ *Id.* at 415.30.

1 CA 91362,” and spoke with Nickles’s sister, who told him that Nickles did not live there and
 2 that she did not know Nickles’s current whereabouts. Doc. 15. The investigator returned to
 3 the dwelling two days later and spoke with Nickles’s mother, who also stated that Nickles
 4 did not live there and that she was unsure of Nickles’s current whereabouts. *Id.*

5 Nor can it be fairly said that service on Little Bizzy should count as service on Nickles
 6 personally. The entity was served through its agent, Mail Link, LLC. *See* Doc. 14.
 7 Although Nickles’s preparation and filing of motions to dismiss and to stay discovery on
 8 behalf of Little Bizzy certainly demonstrates that Nickles was aware of the lawsuit, *see* Doc.
 9 27, “actual notice is not an effective substitute for service of process”⁹ As personal service
 10 was never properly effectuated on Nickles such that exercise of personal jurisdiction over
 11 him would be appropriate, the Court lacks personal jurisdiction over him.

12 **2. The default against Nickles is set aside.**

13 Rule 60(a) allows the court to “correct . . . a mistake arising from oversight or
 14 omission whenever one is found in a judgment, order, or other part of the record. The Court
 15 may do so on motion or on its own, with or without notice.”¹⁰ Upon evaluation of the record,
 16 the Court finds that Nickles was never properly served and did not otherwise waive service.
 17 As judgment cannot be entered against a party not subject to this Court’s personal
 18 jurisdiction, the clerk’s entry of default must be set aside. Doc. 44. As a result, Neumont is
 19 not entitled to a default judgment against Nickles at this time.

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22 ⁹ *See Abreu v. Gilmer*, 985 P.2d 746, 749 n.5 (Nev. 1999). Nickles did file documents in court, which
 23 may have been the source of some confusion about his personal participation in this case. For example, in Doc.
 24 30 Little Bizzy and Nickles are defined as “Defendant.” *Id.* at 1. *See* Doc. 30 (response to Court’s denial of
 25 motion to stay discovery ruling). In the same filing, Nickles refers to himself as the “Co-defendant.” *Id.* at 2.
 26 In subsequent pleadings, Nickles defined “Defendant” as “Defendants Little Bizzy and Jesse Nickles” Doc. 32
 at 1 (responding to response to denial of motion to stay discovery and order to show cause); Doc. 36 at 1 (letter
 to the court regarding retention of corporate counsel). But Neumont did not move for entry of clerk’s default on
 the basis that Nickles filed these documents, and Neumont has cited no authority for the proposition that these
 other filings establish personal jurisdiction over Nickles.

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¹⁰ Fed. R. Civ. Proc. 60(b). Although the Court may not correct an Order after an appeal has been
 docketed, no appeal has been docketed in this case, thus this Court retains the ability to set aside the Clerk’s Entry
 of Default.

1 **3. Extension of time for service on Nickles.**

2 Fed. R. Civ. Proc. 4(m) requires service of the summons and complaint within 120
 3 days. “If a defendant is not served within 120 days after the complaint is filed, the court—on
 4 motion or on its own after notice to the plaintiff—must dismiss the action without prejudice
 5 against that defendant or order that service be made within a specified time. But if the
 6 plaintiff shows good cause for the failure, the court must extend the time for service for an
 7 appropriate period.”¹¹ “The plaintiff is responsible for having the summons and complaint
 8 served within the time allowed under Rule 4(m).”¹² The Ninth Circuit has interpreted Rule
 9 4(m) to require a two-step process for granting extensions of the service period.¹³ If the court
 10 finds good cause for the service delay, it must extend the time period. A court ascertains
 11 “good cause” on a case-by-case basis, the threshold requirement being excusable neglect.¹⁴

12 In this case, the complaint was filed on August 7, 2012, and an unexecuted summons
 13 was returned on August 28, 2012. Docs. 1, 15. Well over 120 days have now passed;
 14 however, the Court finds that entry of clerk’s default plainly gave Neumont good cause for
 15 failing to take further action to properly serve Nickles within the time frame mandated by
 16 Rule 4(m). Thus, the Court grants Neumont an additional 60 days from the date of this order
 17 to either: effect service on Nickles and file proof of that proper service; or show good cause
 18 why such service cannot be effectuated and request an alternative method of service.

19 **B. Motion for Default Judgment - Little Bizzy**

20 Neumont’s request for default judgment against Little Bizzy does not suffer from the
 21 same fatal defect because it appears default was properly entered against this entity.¹⁵ In

22 ¹¹ Fed. R. Civ. Proc. 4(m).

23 ¹² Fed. R. Civ. Proc. 4(c).

24 ¹³ See *in re Sheenan*, 253 F.3d 507, 512 (9th Cir. 2001).

25 ¹⁴ See *id.*; *Robinson v. Churchill Comm. Hosp.*, 2007 WL 496819, at *1 (D. Nev. Feb. 12, 2007).

26 ¹⁵ Fed. R. Civ. Proc. 55 provides a mechanism for obtaining a default judgment against a party who has
 27 failed to plead or otherwise respond to claims brought against it. Where this failure is “shown by affidavit or
 28 otherwise,” the clerk must enter that party’s default under Fed. R. Civ. Proc. 55(a). After entry, the movant must
 request a default judgment from the Court under Fed. R. Civ. Proc. 55(b)(2). *Eitel v. McCool*, 782 F.2d 1470,

1 *Eitel v. McCool*, the Ninth Circuit identified seven factors that district courts should
 2 generally consider when evaluating a motion for default judgment: (1) potential prejudice to
 3 the plaintiff; (2) the merits of the plaintiff's substantive claim; (3) the sufficiency of the
 4 complaint; (4) the amount of money at stake in the action; (5) the potential disputes as to
 5 material facts; (6) whether the default was due to excusable neglect; and (7) the strong
 6 federal policy favoring adjudications on the merits.¹⁶ Applied to the facts of this case, these
 7 factors demonstrate that a default judgment against Little Bizzy is warranted.

8 **1. Possibility of prejudice, substantive merits, and sufficiency of the
 9 complaint**

10 The Court finds that the first, second, and third *Eitel* factors all favor a default
 11 judgment against Little Bizzy. As to the first factor, Neumont will likely suffer prejudice if
 12 default judgment is not entered because Little Bizzy has failed to properly respond to the
 13 complaint and participate in this case within the bounds of the rules, and Hughes's affidavit
 14 and the proof offered at the November 2013 evidentiary hearing demonstrates that the harm
 15 from Little Bizzy's conduct. Doc. 58-1 at 2-4.

16 As to the second and third factors, Neumont's claims appear both sufficient and to
 17 have merit:

18 **a. Business disparagement**

19 "To succeed on a claim for business disparagement, the plaintiff must prove: (1) a
 20 false and disparaging statement, (2) the unprivileged publication by the defendant, (3)
 21 malice, and (4) special damages."¹⁷ Neumont alleges that Little Bizzy knew that some of the
 22 plainly disparaging content posted on Collegetimes's RateMyCollege page for Neumont was
 23 false; that the statements are unprivileged because Defendant's restriction of access (i.e., the

24 1471 (9th Cir. 1986); *Trustees of the Bricklayers & Allied Craftworkers Local 13 Defined Contribution Pension*
 25 *Trust for Southern Nevada v. Tumbleweed Development, Inc.*, 2013 WL 143378, at *2 (D. Nev. Jan. 11, 2013)
 26 (citing *Eitel*). Additionally, Fed. R. Civ. Proc. 55(b)(1)-(2) provide that a party against whom a default judgment
 is sought must not be a minor or an incompetent person. There is no evidence that Nickles is either a minor or
 incompetent. Little Bizzy is a corporation to which the rule does not apply.

27 ¹⁶ See *Eitel*, 782 F.2d at 1471-72.

28 ¹⁷ *Clark County School Dist. v. Virtual Educational Software, Inc.*, 213 P.3d 496, 504 (Nev. 2009).

1 refusal to allow Neumont or others to post positive reviews) effectively made it a content
2 provider; that Defendant demonstrated its malice by manipulating the content to ensure only
3 negative commentary was posted; and that Neumont incurred special damages. Doc. 1 at 8-
4 9. Neumont's factual allegations in this regard are deemed admitted by operation of the
5 default, and the evidence offered at the prove-up hearing corroborated those allegations and
6 independently established Neumont's damages. Thus, Neumont established a claim for
7 business disparagement.

b. Intentional interference with contractual relations

9 “To establish intentional interference with contractual relations, the plaintiff must
10 show: (1) a valid and existing contract; (2) the defendant’s knowledge of the contract; (3)
11 intentional acts intended or designed to disrupt the contractual relationship; (4) actual
12 disruption of the contract; and (5) resulting damage.”¹⁸ Neumont alleges that it has contracts
13 with students, a fact of which Little Bizzy was aware; that Defendant intended to, and
14 actually did, disrupt Neumont’s contracts with its students through its disparaging postings
15 and dissuading of students from enrolling at Neumont; and that Neumont has “suffered
16 losses,” including the lost tuition due to the withdrawal of students as a result of Defendant’s
17 actions. Doc. 1 at 8-10. Again, these allegations are deemed admitted for purposes of this
18 motion by virtue of default. And when combined with the overt prove-up hearing evidence
19 of student-enrollment losses as a result of Little Bizzy’s campaign against Neumont—they
20 make out a cause of action for intentional interference with contractual relations.

c. Interference with prospective economic advantage

22 A plaintiff prevails on a claim for interference with prospective economic advantage
23 by proving: “(1) a prospective contractual relationship between the plaintiff and a third party;
24 (2) knowledge by the defendant of the prospective relationship; (3) intent to harm the
25 plaintiff by preventing the relationship; (4) the absence of privilege or justification by the

¹⁸ *Hilton Hotels Corp. v. Butch Lewis Productions, Inc.*, 862 P.2d 1207, 1210 (Nev. 1993) (emphasis added).

1 defendant; and (5) actual harm to the plaintiff as a result of the defendant's conduct.”¹⁹ “A
 2 plaintiff must show that the means used to divert the prospective advantage was unlawful,
 3 improper or was not fair and reasonable.”²⁰ Neumont alleges that it had prospective
 4 contractual relationships with individuals interested in attending the university, and Little
 5 Bizzy knew this. Doc. 1 at 10. Neumont also alleges that Little Bizzy intentionally disrupted
 6 these prospective relationships without privilege or justification, resulting in actual financial
 7 harm to Neumont by loss of students and, thus, revenue. *Id.* at 10-11.

8 In sum, the second and third *Etel* factors are satisfied.

9 **2. Sum of money at stake**

10 The fourth *Etel* factor takes into account the amount of money at stake and the
 11 seriousness of the defendant's conduct, which involves an assessment of whether the
 12 recovery sought is proportional to the harm defendant's conduct has caused.²¹ The amount of
 13 money at stake here—over \$1 million dollars—is plainly significant.²² The evidence offered
 14 at the evidentiary hearing during which the Court took evidence regarding Neumont's
 15 claimed damages, also demonstrated that the harm that Little Bizzy's actions caused is
 16 proportional to the recovery sought. Therefore, the fourth factor weighs in favor of a default
 17 judgment.

18 **3. Possible dispute as to material facts**

19 The fifth *Etel* factor concerns potential disputes about material facts. Here, the great
 20 majority of operative material facts supporting Neumont's claims have been deemed
 21 admitted as a matter of law by virtue of Little Bizzy's default and the entry of default against
 22 this defendant. “An allegation—other than one relating to the amount of damages—is

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 24 ¹⁹ *Wichinsky v. Mosa*, 847 P.2d 727, 729-30 (Nev. 1993) (emphasis added); *In re Amerco Derivative*
Litigation, 252 P.3d 681, 702 (Nev. 2011).

25 ²⁰ *Custom Teleconnect*, 254 F. Supp. 2d 1181; *see Crockett v. Sahara Realty Corp.*, 591 P.2d 1135, 1137
 26 (Nev. 1979).

27 ²¹ *See Trustees of the Bricklayers*, 2013 WL 143378, at *3 (citations omitted).

28 ²² *See id.* (finding that amount in controversy of less than \$20,000 was significant in ERISA benefits
 action).

1 admitted if a responsive pleading is required and the allegation is not denied.”²³ The
 2 evidence presented at the November 2013 prove-up hearing corroborated those (admitted)
 3 allegations and further supported Neumont’s tort claims. Little Bizzy’s failure and/or refusal
 4 to hire counsel to represent its interests further demonstrates that this entity had—and chose
 5 to pass up—ample opportunity to dispute Neumont’s allegations and arguments, thus making
 6 it unlikely that Little Bizzy will demonstrate the existence of any disputed facts.
 7 Accordingly, the Court finds that no genuine dispute of material fact precludes granting
 8 Neumont’s motion, leaving only the determination of a monetary award (as that cannot be
 9 deemed admitted by operation of law). Thus, the fifth *Eitel* factor weighs in favor of
 10 entering a default judgment.

11 4. **Excusable neglect**

12 The sixth *Eitel* factor considers whether the default has resulted from excusable
 13 neglect. The record in this case belies excusable neglect. Little Bizzy was defaulted for
 14 willful failures to comply with court orders and after a no-show at a court-ordered settlement
 15 conference. Little Bizzy had numerous chances to participate in this case but chose not to.
 16 Thus, this sixth *Eitel* factor also weighs in favor of entering a default judgment.

17 5. **Decision on the merits**

18 The final *Eitel* factor considers the strong policy preference for resolving cases on
 19 their merits.²⁴ Little Bizzy’s habitual disregard for this Court’s orders casts doubt on the
 20 feasibility of any eventual decision on the merits. The Court, therefore, finds that the
 21 ordinary policy preference favoring decisions on the merits should not, without more,
 22 preclude entry of a default judgment in this case.

23 In their totality, the *Eitel* factors weigh heavily in favor of a default judgment against

25 ²³ Fed. R. Civ. Proc. 8(b)(6); *Geddes v. United Financial Group*, 559 F.2d 557, 560 (9th Cir. 1977)
 26 (citation omitted) (“The general rule of law is that upon default the factual allegations of the complaint, except
 27 those relating to the amount of damages, will be taken as true.”); *see also Trustees of the Construction Industry*
 and *Laborers Health and Welfare Trust v. Bust Busters Air Quality Management, L.L.C.*, 2013 WL 876237, at
 *1-*2 (D. Nev. Mar. 7, 2013) (citing *Geddes*).

28 ²⁴ *See Eitel*, 782 F.2d at 1472.

1 Little Bizzy on all three of Neumont's claims, leaving for determination only the proper
 2 amount, if any, of the default judgment.

3 **6. Calculation of the default judgment**

4 Neumont seeks: \$1,020,000 for "the willful harm caused by and directly attributable
 5 to [Little Bizzy's] actions by way of Collegetimes; and attorney's fees in the amount of
 6 \$84,860.50, for a total of \$1,104,860.50." Doc. 61-1 at 5. The Court finds that an award of
 7 \$1,020,000 in tort damages is appropriate, plus \$708.00 in reimbursed legal costs, but denies
 8 an award of attorney's fees because Neumont has not demonstrated any legal basis for a fee
 9 award.

10 **a. Damages**

11 At the November 2013 prove-up hearing, Neumont submitted communications it
 12 received from prospective customers demonstrating that the Collegetimes.com postings had
 13 led them to withdraw from or pass on enrollment at Neumont, and Neumont extrapolated the
 14 amount of revenue these customers would have contributed to Neumont but for Little Bizzy's
 15 conduct. *See* Doc. 61-1. Hughes testified that Neumont employs a tracking system for all
 16 potential customers and that of Neumont's 5-8,000 potential customers, approximately 800
 17 will begin an application for enrollment at Neumont, and approximately 70 percent of
 18 customers who complete an application will be accepted. Hughes offered evidence that 12
 19 customers were calculated to have been lost as a result of the Collegetimes website between
 20 2010 and 2014, which she described as a conservative calculation. Hughes calculated the
 21 loss of 12 students at \$1,020,000 in total lost revenue. *See* Docs. 58-1 at 3-4; 58-7 at 2. The
 22 Court finds that Neumont has proven tort damages of \$1,020,000.00 by a preponderance of
 23 the evidence and awards these damages against Little Bizzy.

24 **b. Attorney's fees**

25 The Court's jurisdiction in this case is premised on diversity of citizenship, 28 U.S.C.
 26 § 1332, so the Court applies Nevada state law to the attorneys fees request.²⁵ Nevada follows
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28 ²⁵ *See Hanna v. Plumer*, 380 U.S. 460 (1985); *Kona Enterprises, Inc. v. Estate of Bishop*, 229 F.3d 877,
 883 (9th Cir. 2000).

1 the American Rule for an award of attorneys fees, thus they are not recoverable in Nevada
 2 unless authorized by agreement, statute, or rule.²⁶ “[T]he mere fact that a party was forced to
 3 file or defend a lawsuit is insufficient to support an award of attorney fees as damages.”²⁷

4 This is not a case premised on a contract with an attorneys fees clause, and Neumont
 5 offers no authority for its entitlement to fees for any of its three tort claims. Neumont
 6 attempts to justify its award of fees by claiming that “Defendants have repeatedly engaged in
 7 behavior designed to delay the legal proceedings, hinder the resolution of meritorious claims,
 8 and harass Neumont.” Doc. 45 at 29. It points to filings made “outside those permitted by
 9 the Local and Federal Rules,” as well as Little Bizzy’s inability to retain counsel and respond
 10 to discovery. However, the statute it cites in support of its entitlement affords no relief here.
 11 NRS §18.010(2)(b) authorizes an award of attorneys fees “when the court finds that the
 12 claim, counterclaim, cross-claim or third-party complaint or defense of the opposing party
 13 was brought or maintained without reasonable ground or to harass the prevailing party.”²⁸
 14 Little Bizzy’s response to the complaint was struck for failure to hire counsel, and violations
 15 of other court orders, not for the grounds articulated in NRS §18.010(2)(b). As Neumont has
 16 not demonstrated its legal entitlement to attorneys fees, its request for an award of fees is
 17 denied.²⁹

18 **c. Costs**

19 Neumont also seeks reimbursement of its litigation expenses. The total amount of
 20 costs Neumont requests is unclear. Neumont has provided sealed billing records, and John
 21

22 ²⁶ See *Young v. Nevada Title Co.*, 744 P.2d 902, 905-06 (Nev. 1987); *Lubritz v. Circus Circus Hotels, Inc.*, 693 P.2d 1261, 1264 (Nev. 1985).

23
 24 ²⁷ *Sandy Valley Associates v. Sky Ranch Estates Owners Ass’n*, 35 P.3d 964, 970 (Nev. 2001), *receded from on other grounds*, 170 P.3d 982 (Nev. 2007).

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 26 ²⁸ NRS §18.010(2)(b). NRS §18.010(2)(a) provides that attorney’s fees will be awarded to the prevailing party when the judgment is less than \$20,000; however, in this case the entry of default is for a far greater amount.

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 28 ²⁹ At the November 4, 2013, prove-up hearing, the Court suggested that it would prepare the default judgment as requested. Having reviewed the papers and the record, the Court now corrects that prior statement to the extent that it improperly contemplated an award of fees and all costs.

1 Krieger, Neumont's attorney, affirms that Neumont incurred \$3,263.19 in costs, Doc. 45-20
 2 at 2, but his affidavit also lists total costs of only \$1,703.34. *See id.* These costs include
 3 \$470 in "Fees of the Clerk," which it states are "taxable" costs. Doc. 45-20 at 2. Neumont
 4 also claims the following "Non-taxable Costs": \$33.60 in long-distance telephone calls;
 5 \$238.00 in photocopies; and \$961.74 in legal research.

6 In diversity cases, district courts award taxable costs in accordance with federal, not
 7 state, law.³⁰ Fed. R. Civ. Proc. 54(d)(1) states that "Unless a federal statute, these rules, or a
 8 court order provides otherwise, costs—other than attorney's fees—should be awarded to the
 9 prevailing party."³¹ 28 U.S.C. § 1920 qualifies cost recovery, allowing only: "(1) Fees of the
 10 clerk and marshal; (2) Fees for printed or electronically recorded transcripts necessarily
 11 obtained for use in the case; (3) Fees and disbursements for printing and witnesses; (4) Fees
 12 for exemplification and the costs of making copies of any materials where the copies are
 13 necessarily obtained for use in the case; (5) Docket fees under section 1923 of this title; and
 14 (6) Compensation of court appointed experts, compensation of interpreters, and salaries, fees,
 15 expenses, and costs of special interpretation services under section 1828 of this title."³²

16 Of the costs sought, only Neumont's \$470 in court fees and \$238.00 in photocopies
 17 are taxable. Accordingly, the Court limits the cost award to these items and awards the total
 18 of \$708.00 in costs to Neumont.

19 **7. Injunctive relief**

20 Finally, Plaintiff also moves for a permanent injunction imposing a wide range of
 21 prohibitions on Little Bizzy's (and others') online postings, communications, and conduct,
 22 all targeted at removing current postings and preventing future publications of "false and/or
 23 disparaging statements and content" about Neumont and restraining or limiting Little Bizzy's

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 25 ³⁰ *Aceves v. Allstate Insurance Co.*, 68 F.3d 1160, 1167 (9th Cir. 1995). Where costs are sought as a
 26 component of a state law damages award, a court sitting in diversity will apply state law. *See Clausen v. M/V
 27 NEW CARISSA*, 339 F.3d 1049, 1064 (9th Cir. 2003).

28 ³¹ Fed. R. Civ. Proc. 54(d)(1).

³² 28 U.S.C. § 1920.

use of its Collegetimes website. Doc. 61-1. This request asks the Court to weigh the competing interests of business reputation and free speech. Although the Court is sympathetic to Neumont's frustrations with the Collegetimes website and its criticisms of Neumont, the First Amendment's broad speech protections prevent this Court from granting the requested injunctive relief.

a. The heavy constitutional presumption against prior restraint

The guarantees of the First Amendment "afford special protection against orders that prohibit the publication or broadcast of particular information or commentary."³³ Prior restraints are "the most serious and the least tolerable infringement on First Amendment rights."³⁴ And a "prior restraint on expression comes . . . with a 'heavy presumption' against its constitutional validity."³⁵

b. Equity will not enjoin publication of disparaging comments.

Critical speech lies at the heart of First Amendment protections.³⁶ Numerous courts have recognized that enjoining the publication of disparaging information about a business is an impermissible prior restraint on free speech. For example, in *Bihari v. Gross*, an interior designer sought to enjoin a disgruntled client from posting disparaging statements about her on his website including allegations that she had "ill intentions," engaged in "alleged fraud and deceit," and had "victimized" and "scam[med]" her clients.³⁷ The court denied the relief, reasoning:

³³ *Nebraska Press Ass'n v. Stuart*, 427 U.S. 539, 556 (1979).

³⁴ *Id.* at 559.

³⁵ *Organization for a Better Austin v. Keefe*, 402 U.S. 415, 419 (1971) (quoting *Carroll v. President and Comm'r of Princess Anne*, 393 U.S. 175, 181 (1968)); *see also Bantam Books, Inc. v. Sullivan*, 372 U.S. 58, 70 (1963).

³⁶ See, e.g., *United Bhd. of Carpenters & Joiners of Am. Local 586 v. N.L.R.B.*, 540 F.3d 957, 965 (9th Cir. 2008) ("Because free speech protections were designed to protect critical speech, we cannot find the suppression of critical speech to be a compelling interest. We find that '[t]he Mall's purpose to maximize the profits of its merchants is not compelling compared to the Union's right to free expression.'") (quoting *Fashion Valley Mall, LLC v. N.L.R.B.*, 172 P.3d 742, 754 (Cal. 2007))).

³⁷ 119 F. Supp. 2d 309, 324 (S.D.N.Y. 2000).

1 The [] websites concern the business practices and alleged fraud of a well-
 2 known interior designer. Such speech is “arguably within the sphere of
 3 legitimate public concern,” which imbues the speech with a heavy presumption
 4 of constitutional protection. . . . At most, plaintiffs have proven that
 5 [defendant] intends to cause plaintiffs commercial harm. This intent, however
 6 improper, cannot justify a prior restraint of constitutionally protected speech.³⁸

7 The *Bihari* court relied on the United States Supreme Court’s opinion in *Organization*
 8 *for a Better Austin v. Keefe*, in which the Court struck down as unconstitutional a state court
 9 injunction preventing the distribution of leaflets critical of the respondent’s business
 10 practices.³⁹ The High Court stressed:

11 It is elementary, of course, that in a case of this kind the courts do not concern
 12 themselves with the truth or validity of the publication. Under *Near v.*
 13 *Minnesota*, the injunction, so far as it imposes prior restraint on speech and
 14 publication, constitutes an impermissible restraint on First Amendment rights. . .
 15 . . . No prior decisions support the claim that the interest of an individual in
 16 being free from public criticism of his business practices in pamphlets or
 17 leaflets warrants use of the injunctive power of a court.⁴⁰

18 *Keefe* recognizes the principle that “[t]he contents of speech cannot be suppressed because
 19 we find the speaker biased or the conclusions erroneous or misleading.”⁴¹ Indeed, the notion
 20 that equity will not restrain by injunction the publication of even false statements is a time-
 21 honored one.⁴²

22 In *McLaughlin v. State of N.Y. Governor’s Office of Employee Relations*, the district
 23 court similarly refused the plaintiff’s request for an injunction prohibiting her former
 24 employer “from speaking about her in a derogatory manner” and “blacklisting” her from

25 ³⁸ *Id.* at 325-26 (internal citations omitted); *see also Isuzu Motors Ltd. v. Consumers Union of U.S., Inc.*,
 26 12 F. Supp. 1035, 1049 (C.D. Cal. 1998) (rejecting an automobile manufacturer’s request to “enjoin Defendants
 27 from . . . disseminating or publishing further false, defamatory or disparaging information about” the company
 28 or its product, the Isuzu Trooper).

29 ³⁹ 402 U.S. 415 (1971).

30 ⁴⁰ *Id.* at 418-19 (1971).

31 ⁴¹ *Quinn v. Aetna Life & Casualty Co.*, 482 F. Supp. 22, 30 (E.D.N.Y. 1979), *aff’d*, 616 F.2d 38 (2d Cir.
 32 1980).

33 ⁴² *See American Malting Co. v. Keitel*, 209 F. 351, 354 (2d Cir. 1913) (“Equity will not restrain by
 34 injunction the threatened publication of a libel, as such, however great the injury to property may be. This is the
 35 universal rule in the United States and was formerly the rule in England.”).

1 obtaining other state government jobs.⁴³ The court concluded that it “would encounter an
 2 insurmountable constitutional barrier to enforcing plaintiff’s proposed remedy”—the First
 3 Amendment prohibition on prior restraint—and concluded that McLaughlin’s proper remedy
 4 would be an after-the-fact suit for damages.⁴⁴ The court further noted as an additional
 5 consideration militating against the requested injunction that it “could not possibly design an
 6 order that would be concise enough to avoid chilling defendants’ protected speech relating to
 7 the plaintiff.”⁴⁵

8 **c. Neumont’s requested relief is constitutionally unavailable.**

9 Granting Neumont the injunctive relief⁴⁶ it requests would be to impose an
 10 impermissible prior restraint on Little Bizzy’s speech. The Supreme Court made it clear in
 11 *Citizens United v. F.E.C.* that fictitious entities enjoy First Amendment protections, too.⁴⁷ To
 12 prohibit Little Bizzy from “creating, publishing and disseminating false and/or disparaging
 13 statements and content regarding Neumont” or “solicit[ing], influenc[ing], or encourag[ing]
 14 any other party to create, publish and/or disseminate the same, or barring this website host
 15 from “engaging in any activity designed to interfere with, disrupt, and/or prevent
 16 relationships between Neumont and its students and/or potential students, including, but not

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 18 ⁴³ 784 F. Supp. 961, 977 (N.D. N.Y. 1992).

19 ⁴⁴ *Id.* at 978. The Court finds the decisions in *Bihani* and *McLaughlin* persuasive and adopts their
 20 reasoning.

21 ⁴⁵ *Id.*

22 ⁴⁶ “An injunction is a drastic and extraordinary remedy, which should not be granted as a matter of
 23 course.” *Monsanto Co. v. Geertson Seed Farms*, 561 U.S. 139, 130 S. Ct. 2743, 2761 (2010). To obtain
 24 injunctive relief, “[a] plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies
 25 available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering
 26 the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the
 27 public interest would not be disserved by a permanent injunction.” *Ebay Inc. v. MercExchange, L.L.C.*, 547 U.S.
 388, 391 (2006); *see Sierra Forest Legacy v. Sherman*, 646 F.3d 1161, 1184 (9th Cir. 2011). Even if this Court
 were to find the first three factors satisfied here, the strength of the public interest against prior restraints alone
 compels this Court to deny injunctive relief. The Ninth Circuit has “consistently recognized the ‘significant
 public interest’ in upholding free speech principles.” *Klein v. City of San Clemente*, 584 F.3d 1196, 1208 (9th
 Cir. 2009) (quoting *Sammarano v. First Judicial District Court, in and for County of Carson City*, 303 F.3d 959,
 974 (9th Cir. 2002), abrogated in part on other grounds, 555 U.S. 7, 24 (2008)).

28 ⁴⁷ *Citizens United v. F.E.C.*, 558 U.S. 310 (2010).

1 limited to, contacting students and/or potential students . . . for the purpose of disseminating
 2 false and/or disparaging statements and content, optimizing the Collegetimes website to
 3 increase search engine rankings for the Collegetimes Neumont page, and distributing and/or
 4 providing links to [] Articles,” or “in any other manner, solicit[ing], influenc[ing] or
 5 encourag[ing] any other party to do the same,” would be a prior restraint on speech and
 6 sweep within its ambit constitutionally protected speech and conduct.⁴⁸ Even if the
 7 Constitution permitted this Court to restrict Little Bizzy’s speech, in the manner requested,
 8 the court “could not possibly design an order that would be concise enough to avoid chilling
 9 [Little Bizzy’s] protected speech relating to the plaintiff,”⁴⁹ and declines the opportunity to
 10 make such an attempt.

11 Consumer reporting plays a vital role in ensuring that a company’s desire to maximize
 12 profit, if abused, will not go unnoticed; and online fora for the exchange of those ideas play
 13 an increasingly large role in informing consumers about the choices that make sense for
 14 them. Although Neumont, like any legitimate business, would like to operate in a
 15 marketplace where one-sided, disparaging, and even false statements do not hamper its desire
 16 to maximize its own profits, Neumont is not entitled to conduct its affairs in an environment
 17 devoid of criticism—even false and disparaging criticism. Because these communications
 18 implicate fiercely protected First Amendment rights, the appropriate remedy for Neumont is
 19 not a gag order or forced warning label on the Collegetimes website but an after-the-fact
 20 lawsuit for damages caused by any demonstratively tortious actions. Accordingly,
 21 Neumont’s request for a permanent injunction is denied.

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26 ⁴⁸ The requested relief is also overbroad. Neumont asks the Court to extend the reach of the injunction
 27 to the website’s “sponsors, associates, and affiliates” and also to Neustar, Inc., and VeriSign, Inc. (domain name
 registries), none of whom are parties to this litigation.

28 ⁴⁹ *McLaughlin*, 784 F. Supp. at 978.

Conclusion

Based upon the foregoing reasons, good cause appearing, and no reason for delay,

IT IS ORDERED that Neumont' Motion for Default Judgment [Doc. 45] is **GRANTED** in part and **DENIED** in part:

it is **DENIED** as to Defendant Nickles. The Clerk's Entry of Default entered against Nickles **[Doc. 44] is SET ASIDE**. Neumont shall have 60 days to serve Nickles under Fed. R. Civ. Proc. 4, request an alternative service method, or otherwise show good cause why service cannot be made;

it is **GRANTED** as to Neumont's claims for damages against Little Bizzy. Judgment is hereby entered in favor of Neumont and against Little Bizzy in the amount of \$1,020,000;

it is **DENIED** as to Neumont's requests for attorney's fees against Little Bizzy;

it is **GRANTED** in part and **DENIED** in part as to costs against Little Bizzy. Costs of \$708 are taxed against Little Bizzy, and judgment is hereby entered in favor of Neumont and against Little Bizzy in the additional amount of \$708.00 in costs;

it is **DENIED** as to Neumont's request for injunctive relief.

DATED: May 20, 2014.

JENNIFER A. DORSEY
UNITED STATES DISTRICT JUDGE